

Transient Occupancy Tax Fund

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T*o provide funding for the Conventions, Arts and Entertainment Operating Subsidy, Cultural Grants, and the San José Convention and Visitors Bureau*

Beginning in 1982, the City Council initiated a 6% Transient Occupancy Tax (TOT) on all hotel/motel rooms in San José. The revenues are collected in the TOT Fund (461) and the increment of growth is distributed by formula to three program categories: the Conventions, Arts and Entertainment Operating Subsidy (50% of the TOT increase), Cultural Grants (25% of the TOT increase) and the San José Convention and Visitors Bureau (25% of the TOT increase).

Transient Occupancy Tax Fund

Budget Summary

	2004-2005 Adopted	2005-2006 Adopted	Change
CCF Operating Subsidy	\$ 3,879,865	\$ 4,752,535	22.5%
Cultural Grants	\$ 2,256,886	\$ 2,897,031	28.4%
San José Convention & Visitors Bureau	\$ 2,133,250	\$ 2,569,585	20.5%

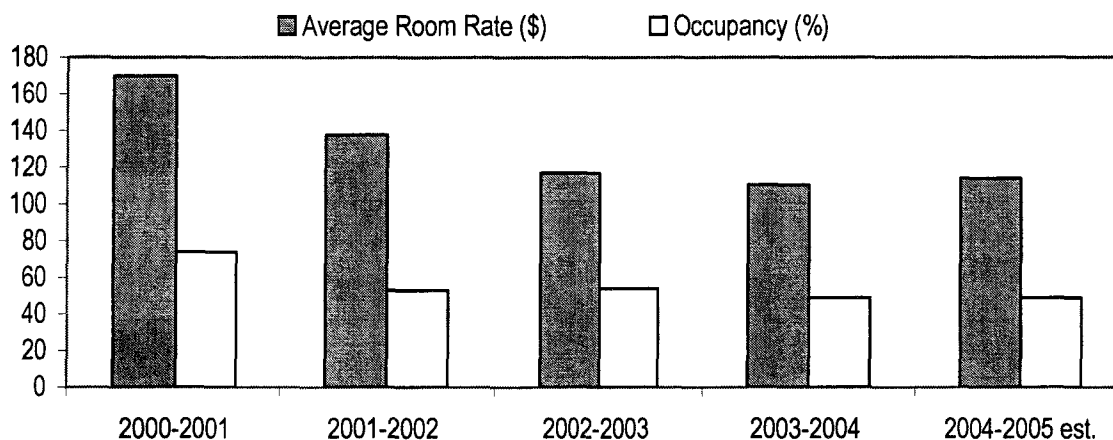
Budget Highlights 2005-2006

□ In 2005-2006, TOT revenues are expected to increase a modest 4% from the estimated 2004-2005 collection level. This growth primarily reflects an anticipated increase in the inventory of rooms, with the average room rates and occupancy rates remaining relatively unchanged.

□ Given the higher than anticipated revenue growth in 2004-2005 and the modest growth projected in 2005-2006, the allocations for the three recipient organizations are expected to increase 19-22% when compared to the 2004-2005 Adopted Budget.

Budget Byte

TOT Indicators: Room Rates and Occupancy



Transient Occupancy Tax Fund

Fund Overview

The 2005-2006 Adopted Budget for the City's Transient Occupancy Tax (TOT) Fund presumes a 4% growth over the level of revenue expected to be collected in 2004-2005. This modest increase reflects the combined impact of the continuation of a mild recovery from the recent three years of declines in the travel industry, and the presence of some additional hotel rooms. The continuation of a mild recovery in the travel industry is illustrated by a review of the recent history of the revenue source. The 2004-2005 estimated collection level is about 8.9% above what was received in 2003-2004 reflecting the first annual growth in three years. The 2003-2004 revenues were 2.4% below that of 2002-2003. In 2002-2003, revenues were 13.7% below 2001-2002 actual receipts.

By ordinance, the TOT Fund is used to provide funding for the Convention and Cultural Facilities Operating Subsidy, Cultural

Grants, and the San José Convention and Visitors Bureau (CVB).

As a result of the better than expected performance in revenue for 2004-2005 and projected growth in 2005-2006, an increase to the three recipients in 2005-2006 was approved. Additional 2004-2005 revenue collected thus far totaling \$438,500 is also being distributed in this budget to the three recipients. The apparent larger increase in the allocation in 2005-2006 for Cultural Grants actually reflects the fact that the Adopted Budget included a one-time rebudget of unexpended 2004-2005 grants in the amount of \$203,811.

The ending fund balance is made up of a reserve for encumbrances, a reserve for outstanding loans, and unrestricted fund balance.

Fund Summary

	2003-2004 Actual 1	2004-2005 Adopted 2	2004-2005 Estimate 3	2005-2006 Adopted 4	% Change (2 to 4)
Dollars by Sources					
Beginning Fund Balance	\$ 1,436,778	\$ 657,767	\$ 469,473	\$ 1,717,543	161.1%
TOT Revenues	8,454,187	8,770,000	9,208,500	9,576,840	9.2%
Interest	38,541	100,000	30,000	50,000	(50.0%)
Total	\$ 9,929,506	\$ 9,527,767	\$ 9,707,973	\$ 11,344,383	19.1%
Dollars by Uses					
CCF Operating Subsidy	\$ 5,003,695	\$ 3,879,865	\$ 3,813,083	\$ 4,752,535	22.5%
Cultural Grants	2,417,250	2,256,886	2,077,488	2,897,031	28.4%
SJ Convention/Visitors Bureau	2,037,688	2,133,250	2,099,859	2,569,585	20.5%
Technical Assistance Prog	1,400	0	0	0	0.0%
Ending Fund Balance	469,473	1,257,766	1,717,543	1,125,232	(10.5%)
Total	\$ 9,929,506	\$ 9,527,767	\$ 9,707,973	\$ 11,344,383	19.1%

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Budget Category: Conventions and Cultural Facilities Operating Subsidy

Budget Category Overview

The Convention and Cultural Facilities Operating Subsidy supports administration, maintenance, and operations at the Convention and Cultural Facilities (CCF) currently operated by Team San José, which include the Convention Center, Center for Performing Arts, California Theater, Montgomery Theater, Civic Auditorium, Parkside Hall, and McCabe Hall. The remaining operating costs are funded by operating revenues from these facilities, which are captured in the Convention and Cultural Affairs Fund. Because the total operating expenses are not delineated by funding source,

the specific operations supported by TOT funding cannot be isolated. Personal services and non-personal/equipment expenses, which are partially funded by the increment of growth in the TOT, appear in the CCF section of this document.

Approximately 47.4% of the total 2005-2006 TOT revenue is allocated to fund a portion of the operating expenses at the Convention and Cultural Facilities.

Budget Category Summary

	2003-2004 Actual 1	2004-2005 Adopted 2	2005-2006 Estimate 3	2005-2006 Adopted 4	% Change (2 to 4)
CCF Operating Subsidy	\$ 5,033,695	\$ 3,879,865	\$ 3,813,083	\$ 4,752,535	22.5%
Total	\$ 5,033,695	\$ 3,879,865	\$ 3,813,083	\$ 4,752,535	22.5%

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Budget Category: Cultural Grants

Budget Category Overview

Each year, the Arts Commission solicits and evaluates applications for funding under the Cultural Grants category (using criteria approved by the City Council). The Arts Commission then submits recommendations for Cultural Grants and Technical Assistance Grants to the City Council for consideration during the annual budget process. Approximately 26.9% of the total 2005-2006 TOT revenue is allocated to fund Cultural Grants. Any unexpended Cultural Grant funding will be rebudgeted for expenditure in the next fiscal year.

Included in the 2005-2006 Cultural Grant allocation is a one-time rebudget of unexpended 2004-2005 grants in the amount of \$203,811.

Detailed information for the 2005-2006 TOT Cultural Grants program awards are listed in this section to provide a picture of the City's Cultural Grants Program.

Budget Category Summary

	2003-2004 Actual 1	2004-2005 Adopted 2	2005-2006 Estimate 3	2005-2006 Adopted 4	% Change (2 to 4)
Cultural Grants	\$ 2,417,250	\$ 2,256,886	\$ 2,077,488	\$ 2,897,031	28.4%
Total	\$ 2,417,250	\$ 2,256,886	\$ 2,077,488	\$ 2,897,031	28.4%

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Budget Category: San José Convention and Visitors Bureau

Budget Category Overview

Approximately 25.6% of the total 2005-2006 estimated TOT revenue in this fund is allocated to the San José Convention and Visitors Bureau (CVB). The City contracts with the CVB to provide long-term booking of events at the Convention Center, market the Convention Center, promote traveling to San José for business and pleasure, and assist visitors.

CVB also receives funding from the General Fund (shown in the City-Wide Expenses section of this document) and other sources such as San José businesses, restaurants, and hotels to provide similar services, which are not represented here.

Budget Category Summary

	2003-2004 Actual 1	2004-2005 Adopted 2	2005-2006 Estimate 3	2005-2006 Adopted 4	% Change (2 to 4)
SJ Convention/Visitors Bureau	\$ 2,037,688	\$ 2,133,250	\$ 2,099,859	\$ 2,569,585	20.5%
Total	\$ 2,037,688	\$ 2,133,250	\$ 2,099,859	\$ 2,569,585	20.5%

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Budget Category: Cultural Grants

Budget Category Overview (Cont'd.)

Cultural Grants Allocations	Total Grant
Abhinaya Dance Company of San José	\$ 21,987
Addison Penzak Jewish Community Center	15,000
American Festival for Independence	35,870
American Musical Theatre of San José	176,999
Arab American Cultural Center	10,000
Associated Students of San José State University, Inc.	13,500
Association for Viet Arts	12,000
Aztlán Academy - San José, Inc.	18,000
Ballet Afsaneh Art and Culture Society	3,600
Bay Area Glass Institute	4,332
Chinese Performing Artists of America, San José	29,608
Christmas in the Park	35,000
Cinequest San José Film Fest	38,629
Cinequest, Inc.	44,244
City Lights Performance Group	20,282
Contemporary Asian Theater Scene	10,014
Dancin' on the Avenue	5,518
Dimension Performing Arts, Inc.	18,000
Downtown Ice	20,546
Firebird Youth Chinese Orchestra	14,711
Habib Khan Saraswati Temple	8,100
Kaisahan of San José Dance Company	18,829
KTEH Foundation	18,000
Margaret Wingrove Dancers	16,000
Mexican Heritage Corporation	49,435
Movimiento de Arte y Cultura Latino Americana	33,833
Music in the Park	13,205
Northside Theater Council of San José	14,736
Opera San José, Inc.	169,605
Rainbow Women's Chorus	4,000
Renegade Theatre Experiment	4,302
Russion Music Competition Corporation	18,000
San José Center for Poetry and Literature	12,550
San José Chamber Music Society	18,000
San José Chamber Orchestra	19,116
San José Children's Discovery Museum	89,784
San José Children's Musical Theater	75,239
San José Cleveland Ballet	168,943
San José Dance Theatre	16,200
San José Institute of Contemporary Art	31,668
San José International Mariachi Festival	16,555
San José Jazz Festival	38,629
San José Jazz Society	76,282

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Budget Category: Cultural Grants

Budget Category Overview (Cont'd.)

Cultural Grants Allocations (Cont'd.)	Total Grant
San José Multicultural Artists Guild	\$ 20,289
San José Museum of Art Association	202,739
San José Museum of Quilts and Textiles	31,055
San José Repertory Theatre	213,072
San José State University Foundation	18,000
San José Symphonic Choir	11,183
San José Youth Symphony	27,707
Santa Clara Valley Performing Arts Association	14,858
Shri Krupa Foundation	15,000
sjDanceco	2,700
South Bay Guitar Society of San José	13,500
Steinway Society The Bay Area	18,000
Tapestry Arts Festival	20,546
Tapestry Arts San José, Inc.	31,624
Teatro Vision de San José	33,880
The Gilbert & Sullivan Society of San José	18,000
The Winchester Orchestra of San José, Inc.	13,860
Visual Rhythm Dance Company	12,060
Vivace Youth Chorus of San José	16,200
Works/San José	11,968
Young Audiences of Northern California	10,000
Panel Review/Site Visits	16,000
Program Administration	109,763
Unallocated/Reserves	536,176
TOTAL	2,897,031